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SUBJECT: A/S LOWENKRON'S MEETING WITH KONSTANTIN KOSACHEV,  
CHAIRMAN OF DUMA INTERNATIONAL RELATIONS COMMITTEE

Classified By: Ambassador William J. Burns. Reasons 1.4 (b and d).

¶1. (C) SUMMARY: On January 19 DRL A/S Barry Lowenkron, Ambassador Burns, and EUR DAS David Kramer met with State Duma International Relations Committee Chairman Konstantin Kosachev. Defending the new NGO legislation, Kosachev insisted that it would clarify the role of NGOs in Russia, not limit their activities. He conceded that implementation might be problematic, but said the Duma would intercede if GOR officials took any unlawful or arbitrary actions against NGOs. Kosachev also defended recent political reforms -- switching to a party-list-only system, raising the election threshold from five percent to seven percent, and direct appointment of regional governors by the President -- arguing that they would strengthen political parties in the long run. The West should not pressure Russia on democratic development, he argued, since it will take time for the country to reach Western levels of democracy. On foreign policy issues, Kosachev expressed surprise at the West's reaction to the recent Ukraine-Russia gas dispute, arguing that the U.S. unfairly sided with Kiev. Lastly, he expressed hope that the G-8 summit would show the world that Russia was a worthy G-8 member with many positive initiatives to offer.  
END SUMMARY.

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NGO Law  
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¶2. (C) A/S Lowenkron began the meeting with Kosachev by stressing that the Secretary, along with other senior officials and NGO representatives in the U.S. and abroad, was concerned that the new NGO law would have a negative impact on Russia's 2007-8 elections, particularly on pre-election training and monitoring efforts. Kosachev replied that NGOs should not be involved in political activities, although electoral monitoring was acceptable. In response, Lowenkron noted that 8political activities8 could be broadly interpreted and that some "political" activity was in fact apolitical. He cited the example of National Democratic and International Republican Institutes offering training and support to all parties, as long as they respected democratic precepts and abided by the rules of the election process.

¶3. (C) Kosachev argued that the text of the new legislation was not undemocratic -- it was the prospective implementation that made people nervous. He explained that, previously, a group of foreigners could establish an NGO, be registered by the MFA, and then disappear without being held accountable for their actions. The goal of the new law was not to limit the activities of NGOs but to regulate their role in Russian society. Kosachev acknowledged that the new law was imperfect but hoped it would improve the NGO environment. He suggested that people take a wait-and-see approach toward implementation, and that the Duma would be ready to intervene if illegal action were taken against an NGO.

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Political Reforms

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14. (C) Turning to broader political issues, Kosachev maintained that Russia,s main problem was that it still did not have real political parties, except for the Communist Party. He said United Russia (YR) was trying to function as a political party, but was not yet a &>true party.8 Most political organizations were simply built around strong individuals. He then laid out the rationale behind recent reforms adopted by the Duma last year to strengthen parties:

--Regarding the switch to a proportional party-list system, Kosachev noted that in the 2004 Duma elections, YR obtained only 37 percent of the vote but ended up with 306 (almost two-thirds) of the 450 seats. This anomaly occurred, he said, when single-mandate independent candidates opted to join YR after they entered the Duma. The proportional party-list system would fix that problem by reducing the difference between the percentage of votes received and the percentage of seats taken by a party.

--Turning to the increased entry threshold for parties from five percent to seven percent, Kosachev asserted that such a change seemed undemocratic at first glance because neither the Union of Right Forces (SPS) nor Yabloko had reached the five percent threshold in the previous national elections (each received 4.5 percent in 2003). As a result, he said, the Duma was currently unbalanced. With ten percent of the population supporting those parties, democratic, liberal ideas, they should be represented in the Duma. Neither SPS nor Yabloko was represented, however, because their leaders disliked each other and were unwilling to cooperate or otherwise join forces to overcome the entry barrier. When the two parties temporarily joined forces in the December

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2005 Moscow City election, which required a ten percent threshold for parties, several of their members were elected into the local Duma. The national seven percent threshold, he argued, was beneficial because it forced such parties to form alliances.

--Kosachev then addressed the elimination of the direct election of regional governors. He noted that of Russia,s 89 regions, only twelve were economically self-sufficient. Of the other 77 regions, five received 90 percent and 35 received 50 percent of their revenue from federal subsidies. The governors in these regions, Kosachev continued, had been directly elected by the people, partly because they had told voters they would be able to get money and other assistance directly. The governors never actually did anything in the regions to stimulate the local economy, and Moscow was not able to demand accountability from them. According to Kosachev, the new system made governors directly responsible to the President and regional legislatures, which would encourage them to work harder to improve the situation in their regions. If they failed to do so, the President could remove them for failure to perform.

15. (C) Lastly, Kosachev addressed a recent legislative amendment that would give the party that won a regional election the right to nominate, for presidential consideration, a candidate for governor. Arguing that such an arrangement was fair, he noted that any party, including communists or nationalists, could propose a candidate to the President if they won a regional election.

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Russia - Ukraine Gas Dispute  
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16. (C) On foreign relations, Kosachev expressed surprise at Western reaction to the recent gas dispute between Russia and Ukraine. No one in the West had tried to analyze Ukraine,s actions, he argued, and all attention had been focused on Russia, leading Moscow to believe that the West had sided with Kiev. Kosachev maintained that Russia did not raise gas

prices arbitrarily but simply instituted liberal market principles. Ukraine had been receiving cheap gas from Russia (in effect propping up Ukraine's less developed economy), while the West demanded that Russia raise its own domestic gas prices. Kosachev said the U.S. was playing a global game, and sought to show that Moscow did not control the rules of that game.

¶17. (C) Lowenkron responded that he did not see Ukraine as part of a global game to teach Russia a lesson. What startled the West was the timing of the action and the method Russia had used, as well as the price Moscow initially set, Lowenkron continued. DAS Kramer added that keeping an overly low price for gas was neither in Ukraine's nor Russia's interest. The U.S. had made clear to Ukraine that it should not continue to subsidize energy because that fed corruption and undermined conservation measures. Nevertheless, going from USD 50 to USD 230 per cubic meter immediately was too abrupt and threatened to destabilize Ukraine's economy. Kramer said a phased approach would be better.

¶18. (C) Kosachev replied that the negotiation process had started last April. Russia's first proposal was USD 160, but in the subsequent eight months, Ukraine never responded to that offer. Agreeing that USD 230 was steep, Kosachev argued that Russia had only encountered silence when Ukraine was informed of the January 1 deadline. He complained that &all Russia hears is that they were to blame and that the West believes &Ukraine is a new democracy that should be treated as a special case.

¶19. (C) Kramer concurred that the Ukrainian government had not handled the situation well, but noted that at the end of the year Ukraine was offering USD 80-85 per cubic meter and ultimately agreed to USD 95. He said the U.S. was concerned that what had begun as a bilateral issue between Russia and Ukraine had ballooned into a much wider politicization of gas supplies, which affected countries beyond the immediate area. The U.S. favored strong Ukraine-Russia relations, and Russia should be commended for ultimately walking back from what could have been a very serious crisis, Kramer concluded.

#### G-8 Relations

¶10. (C) Thanking Kosachev for his frankness and willingness to discuss differences of views, Lowenkron asked about Russia's plans for the G-8. Kosachev answered that Moscow's chairmanship was a unique chance for Putin to show that &it is not an accident that Russia is part of the G-8, and that Russia could act as a global state with global

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responsibilities. He said there were some who wanted to use the G-8 as a platform for advancing nationalist issues, but it was important to avoid such politicization. Kosachev added that Russia had several very good projects under discussion in energy, health care, demographics, and high technology. Lowenkron stressed that Putin had two choices regarding how the global media would cover the G-8 meeting. The story could be how Putin is leading G-8 efforts to tackle global issues, or it could be that democracy is backsliding in Russia.

#### Democracy, Labor, and Human Rights in Russia

¶11. (C) Lowenkron noted the lack of formal bilateral U.S.-Russian discussions regarding human rights since 1997. Kosachev said cooperation in that sphere was hindered by the fact that the U.S. and Russia did not share similar standards. He compared U.S.-Russian relations with those between the U.S. and EU. Although the U.S. supported the death penalty and the European Union did not, for instance, such a difference had not hurt U.S.-EU relations and the EU did not try to force its standards on the U.S. By contrast,

Kosachev said, the EU and U.S. sometimes tried to force their views on Russia.

¶12. (C) Kosachev claimed that Russia was pursuing a European model of democracy (i.e., a liberal economy, pluralist democracy, and government social welfare programs) rather than the more autocratic Asian or Chinese models of government. Russia had not reached the level of democratic development of the EU or U.S. but was moving in that general direction. Nations with well-developed democracies now focused on other concerns, such as the environment, while Russia was still working on developing the fundamentals of a sustainable democratic system.

¶13. (C) Kosachev concluded by noting that the U.S. was more concerned about democracy in Russia than Russians were themselves. The typical Russian was concerned about receiving his salary and pension on time or about the Chechen terrorist threat rather than the status of human rights in Chechnya or in Russia in general. Kosachev said the ideals of freedom and liberty had become discredited in Russia since the harsh reforms of the 1990s, which in the end had achieved nothing but instability. It would take time for Russia to reach the same level as the U.S., but pressuring Russia would not work.

¶14. (U) A/S Lowenkron has cleared this cable.  
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